

1HFY14 Investor Update

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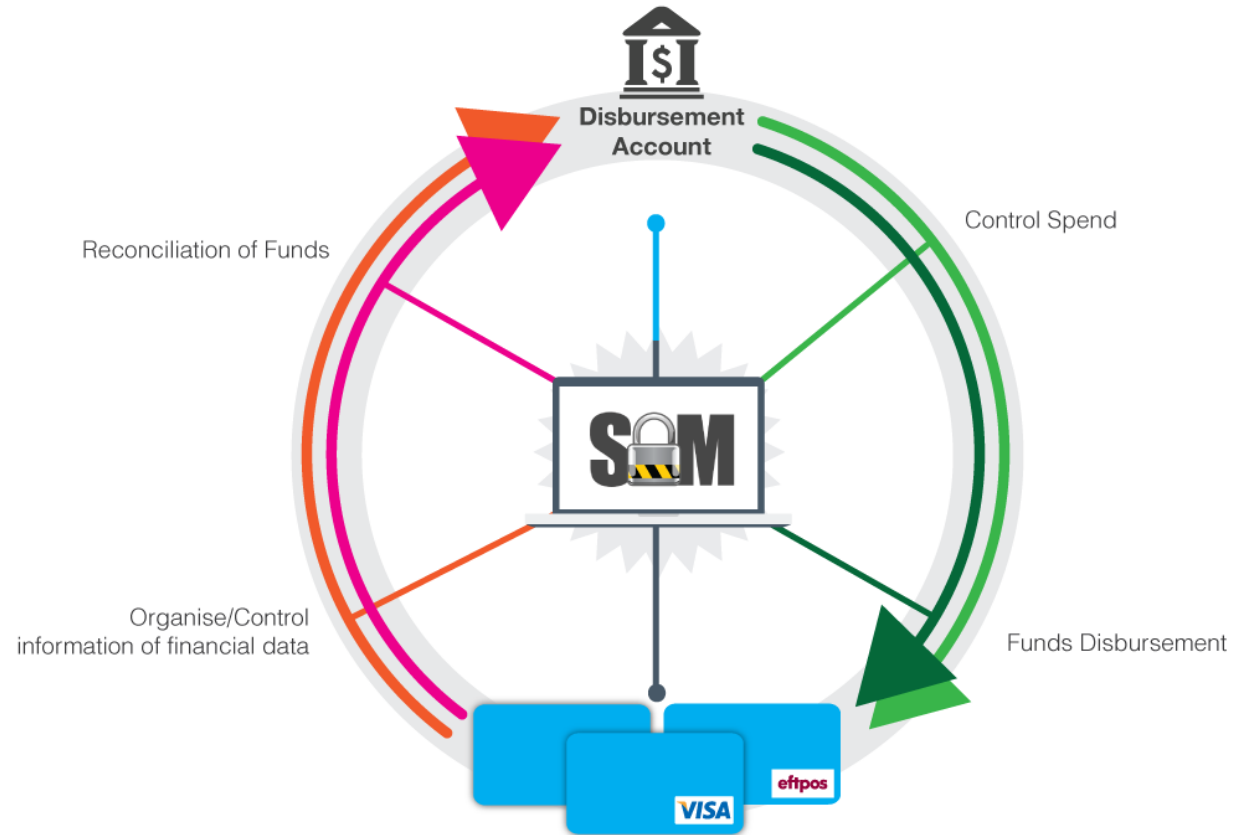
2014 Emerchants Limited.

Mission

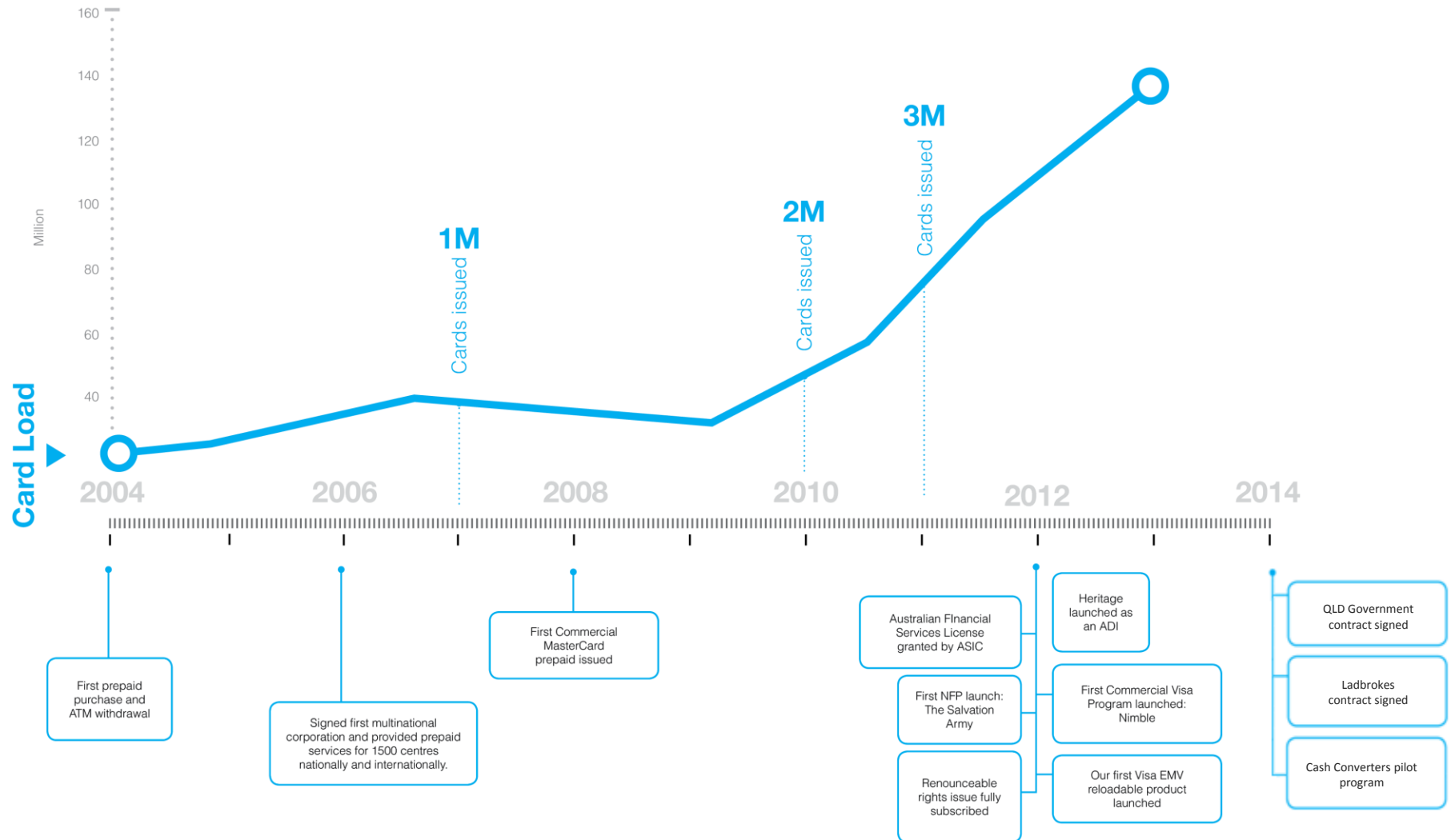
empowering | Your Money

To transform the commercial payment solutions landscape by inspiring companies to demand more control, more transparency and more flexibility over their money. To deliver our stakeholders sustainable financial success.

Our Value Proposition

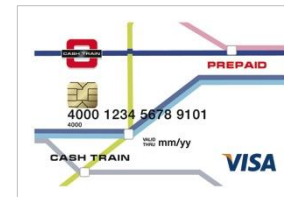
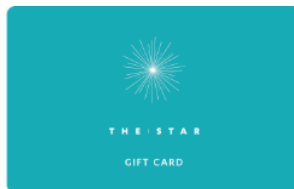


Our History



What we do

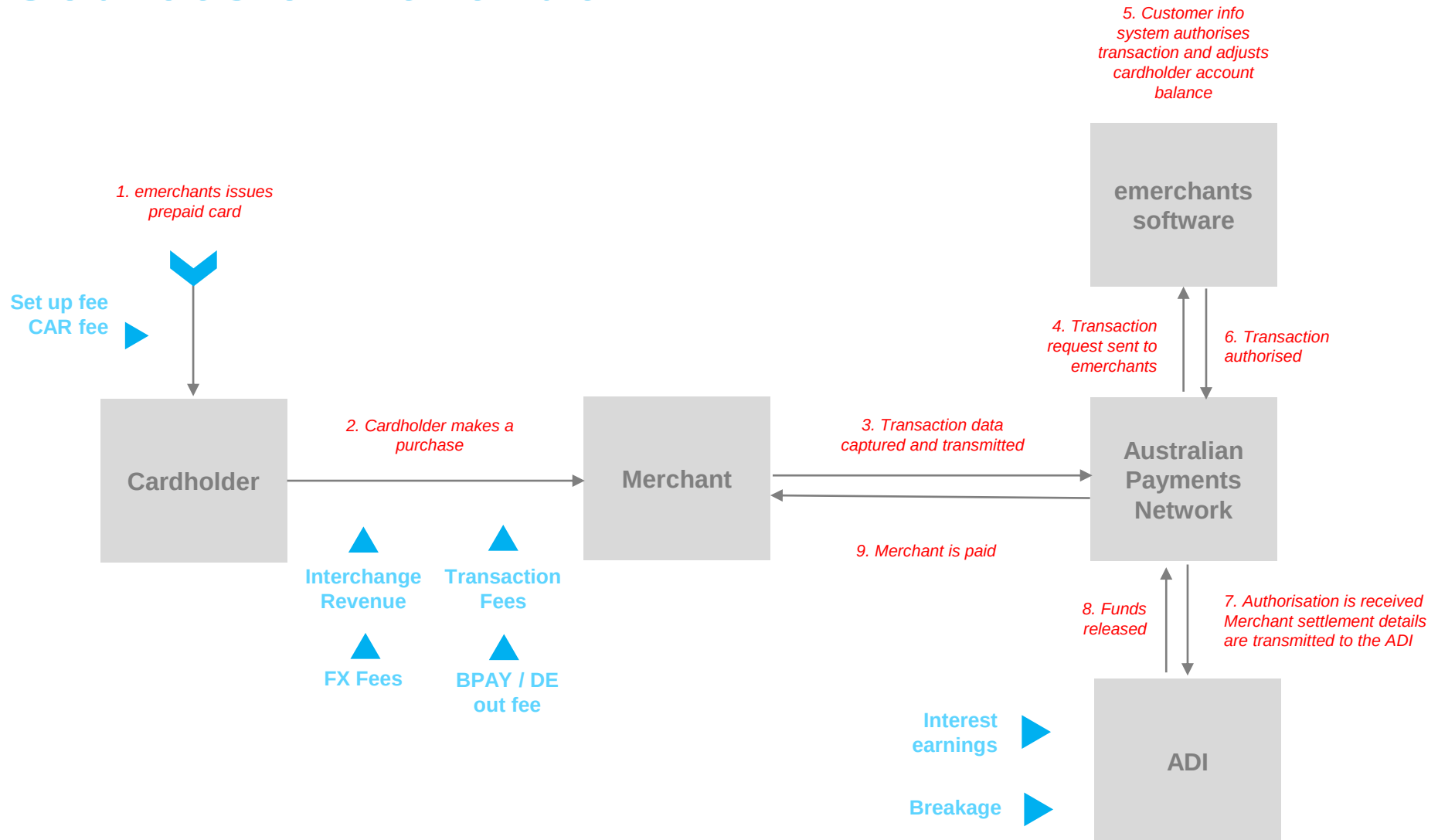
emERCHANTS offers clients payment solutions across all 4 segments of financial card industry



Non-reloadable

Re-loadable

Sources of Revenue



1HFY14 Financial Summary

1HFY14 Business Metrics

Total Dollar Loads

 **20%**

Over prior year to
\$66.28m

Total Active Cards

 **12%**

Over prior year to
527,850 cards

Total Transactions

 **16%**

Over prior year to
1.87million

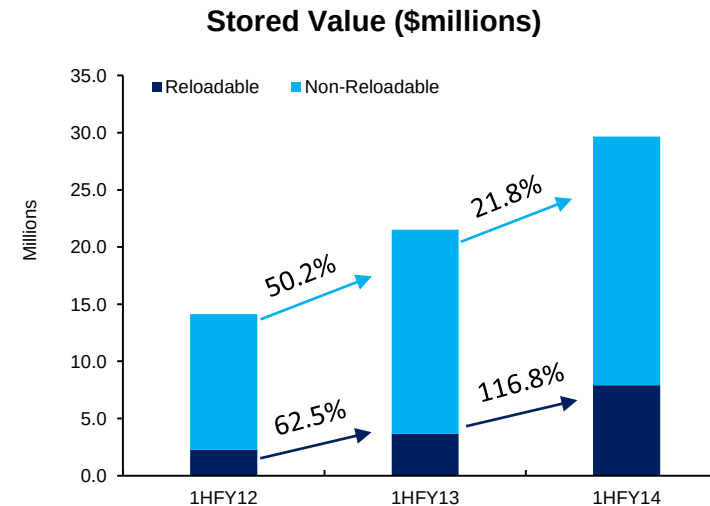
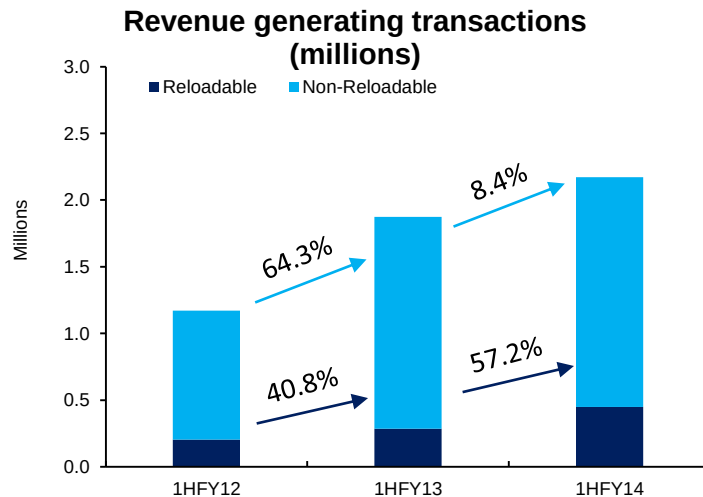
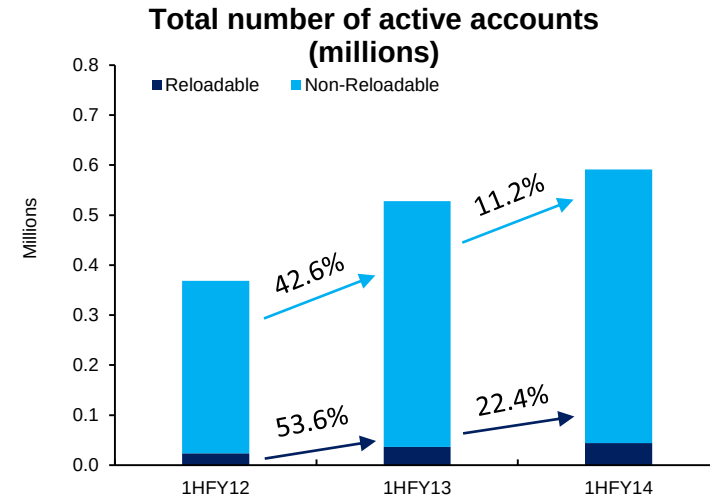
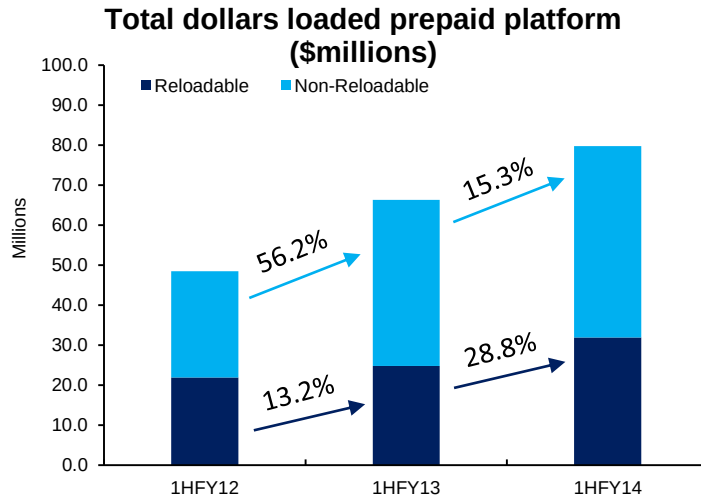
Total Stored Value

 **38%**

Over prior year to
\$21.5m

Key Business Metrics

1HFY14



Financials

Income statement for 6 months ended 31 December

(‘000)	6 months to Dec 2012	6 months to Dec 2013	% Δ
Establishment and breakage income	1,069	946	(12%)
Transaction fees	955	1,039	9%
Interest received – host based stored value	283	278	(2%)
Interest received – other entities	78	84	8%
Service fees	19	65	242%
Total Revenue	2,404	2,412	0%
Revenue by reportable segments			
Reloadable revenue	700	520	(26%)
Non – reloadable revenue (Gift)	1,626	1,808	11%
Interest income - Group funds	78	84	8%
Total Revenue by reportable segments	2,404	2,412	0%
Gross profit	2,156	2,027	(6%)
Gross profit margin	90%	84%	
Other income	0	50	50
Cash overheads	(4,310)	(3,850)	11%
R&D offset	0	436	100%
EBITDA	(2,157)	(1,337)	38%
Net Loss	(3,624)	(2,161)	38%

- Flat revenue growth due to slowdown in gift volumes and large card order in 1HFY13 for reloadable business
- EBITDA and Net Loss improved significantly from the prior period due to cash overheads savings.

1HFY14 Highlights

1HFY14 Business Highlights

Growth in Re-Loadable Metrics

We showed strong growth in all of our re-loadable metrics:

- Dollar Loads: 28.8% increase
- Active Accounts: 22.4% increase
- Transactions: 57.2% increase
- Stored Value: 116.8% increase

Ladbrokes.com.au

We announced an agreement with Ladbrokes.com.au for the use of our re-loadable cards as part of their product offering, with the market launch on March 7th, 2014. Ladbrokes customers will be able to use EML cards to instantly transfer a portion of their winnings and use the cards at any retail POS or ATM

Salary Packaging

We are engaged in discussions with several providers of salary packaging providers for the provision of both M&E (Meals and Entertainment) and Living Expenses cards. We are optimistic that we will make some announcements by the end of the financial year on partnerships in this industry vertical.

Queensland Government Contract

We signed a landmark agreement with the Queensland Department of Treasury and Trade to provide prepaid card programs to various agencies of government, and concluded our first agreement with the Department of Communities for Emergency response cards.

1HFY14 Business Highlights

Cash Converters

We launched a pilot into six Cash Converters stores, half owned by Cash Converters Corporate and Half owned by CCIG, a leading Queensland based Franchisee with 23 stores.

Launch of PAID.com.au

We remain committed to innovation and are supporting an industry first consumer lending product, whereby individuals can access loan funds and use those funds to directly pay bills. EML is using its B-PAY Payment Industry Member status to route all bill payments to the respective billers.

Infrastructure Project

We commenced our I.T Infrastructure upgrade so we have the capabilities to support several thousand concurrent users on our web site. We expect to have invested \$1.2m in this project by the end of the financial year.

Finance and Operations

- We successfully raised \$7.1m in new capital and ended the half year with \$6.4m in cash and no debt.
- We significantly reduced “time to revenue” i.e. time taken from initiating a concept brief to live program implementation for clients launched in 1HFY14.
- Initiated an ASAE 3402 internal controls assessment to enable us to communicate the effectiveness and transparency of our controls framework to our clients and partners.

Queensland Government Agreement

Contract Status

The contract has been executed with both the Department of Trade and Treasury and with a single agency of Government, The Department of Communities for the provision of emergency response cards. At this stage the weather has been benign and we are yet to issue an emergency response card.

Approaches to Agencies

We are working with the Department of Trade and Treasury to launch the process of engagement to all other Government agencies. The date for this has slipped from the end of February and we're optimistic it will commence in late March or April 2014.

Sales Cycle

Despite the agreement detailing all key commercial items, we expect the sales cycle into individual agencies to be in the range of 9-12 months. The revenue contribution from this agreement is therefore likely in late FY15 and into FY16 and beyond

Government Sector opportunities

We will commence a formal engagement process with other State governments and selected Federal government agencies in FY15.



Cash Converters Update

Pilot Results

The pilot showed that customers had no objection to receiving loan disbursements onto a card, with opt-in rates in the 90-98% range.

Cash Converters Corporate Stores

Cash Converters Corporate has since advised that they will not proceed with a rollout to their 61 company owned stores at this time, due to a focus on managing incremental costs, following their most recent ASX disclosure.

CCIG

We can announce that we expect to sign an agreement with CCIG, the Queensland based franchisee that participated in the pilot, and we expect that program will launch in 23 stores in July 2014.

Next Steps

We will focus on the launch of cards into all CCIG stores and use that as a launching pad to secure agreements with selected other franchisees, We will also continue to have a positive engagement with Cash Converters Corporate should the pricing support a future launch into corporate owned stores.

Ladbrokes.com.au

Contract Status

We signed a multi-year, non-exclusive agreement with Ladbrokes.com.au for the provision of re-loadable cards to their gaming customers

Value Proposition

The card allows a customer the convenience of transferring part of their winnings from their gaming account to a re-loadable prepaid card, and using that at any ATM or POS location. Funds can also be transferred back to the gaming account.

Industry Dynamics

The corporate bookmaker market is estimated at \$5bn per annum and \$19bn when including the TAB's. This solution enables the corporate bookmakers to compete more effectively against the TAB's who can use their retail network for immediate cash payouts.

Forecast

Customers are currently opting-in to receive a card and our financial result will be dependent on the number of customers opting-in, and the volume of funds transferred to the card. We will be in a better place to provide a forward looking forecast at the end of FY14 once the program has been in market for 3-4 months.







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Friday's always brilliant. But it's even better with Friday night footy. #NRLCtyBri

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The Rabbits win. Of course Greg Inglis crosses the stripe. Who were we kidding offering \$3.60 with our Footy Freaks special? #NRLSouSyd

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Greg Inglis is more than a footballer. The man is a footy freak! #NRLSouSyd

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2HFY14 Objectives – General Business

We have a number of key activities in the 2H that will position us for growth in FY15

Ladbrokes Launch	This is a key partnership for us in this industry vertical and we will focus to ensure the launch is successful. The product launch is supported by a major media campaign and Ladbrokes have referred to the card solution as a “game changer” in the Corporate bookmaker market.
CCIG Contract Execution	We expect to sign a multi-year agreement in the coming weeks and will be undertaking IT development to support a launch to all stores in July.
QLD Government Agency Engagement	We are anxious to begin the engagement process to other Queensland state government agencies. Given the long sales cycle it’s our objective to have 2 programs in market by the end of FY15, in addition to the program for Emergency Response cards that we have previously disclosed that is a multi-year agreement.
Salary Packaging Industry and Gaming Verticals	We are in discussions with several Salary Packaging providers and Gaming and Wagering organisations and expect to announce some partnerships in the coming months that will launch in the first half of FY15.
IT Infrastructure Upgrade Project	The IT infrastructure upgrade project remains on budget and will be completed on time by the end of the financial year.
Operational improvements	We will continue to enhance our internal processes and infrastructure with a view to progressing our ASAE 3402 Controls assessment and continuing to reduce our “time to revenue”